

Rebuild Colorado

Linda Smith, Sr. Program Manager



***Governor's Office of Energy
Management and Conservation***



What problems do you face at your facility?

- ✓ **Competing needs for the budget**
- ✓ **Maintenance problems or comfort complaints**
- ✓ **Limited expertise on technologies**
- ✓ **Too many demands on staff time to launch new projects**

Yet...you want to replace equipment and modernize your facilities



Better Buildings Today Through Energy Savings Tomorrow



*If you face these problems...
you are not alone*

An Innovative Solution:

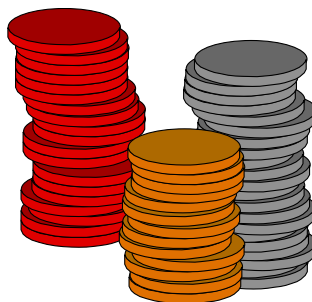
**Energy
Performance
Contracting**

...a smart way to get better buildings



Energy Performance Contracting

Projects pay for themselves!



Savings stack up over time...



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Making it Happen... Energy Performance Contracting

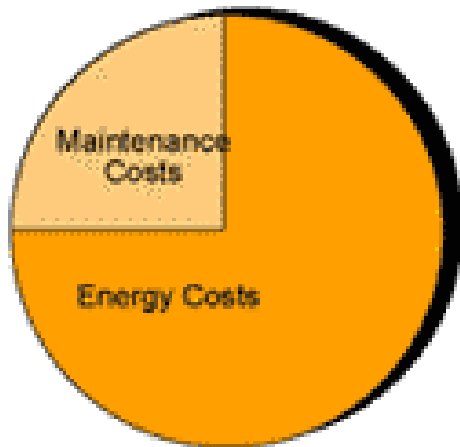
- **A way to upgrade your facilities without dipping into your capital budget**
- **Use future energy savings to pay for projects**



Here's How It Works.....

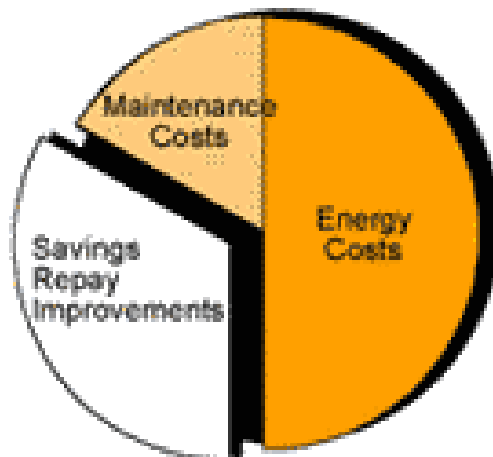
Annual Budget

Before Improvements



Annual Budget

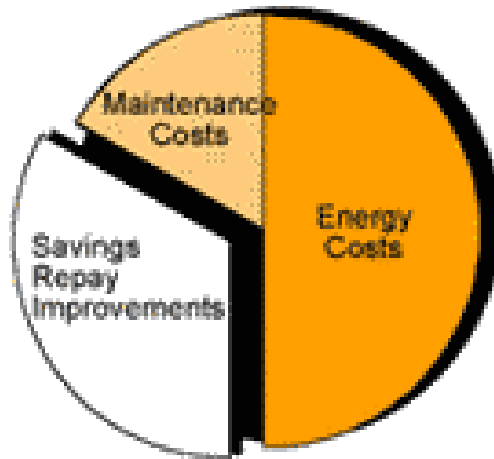
After Improvements



Money otherwise owed to the gas or electric utility pays for equipment!

Multi-Year Lease-Purchase Agreement

**Annual Budget
AFTER Improvements**



- Financed through lease-purchase agreement
- Annual cost savings exceed annual payments
- Financing term is 12-15 year; up to 25 years (equipment lifetime exceeds term)
- Not impacted by TABOR (annually renewable & subject to non-appropriations)
- Does not impact debt ceiling
- Endorsed by state legislature & governor



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Round up the savings ...to get better buildings



Rebuild
COLORADO

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Savings could total 20% (or more) of your current energy costs for buildings







Partner with an ESCO

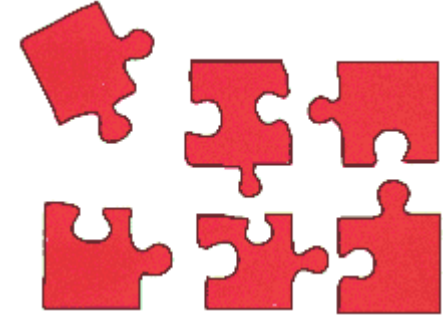
**Energy Service Company
(ESCO)**



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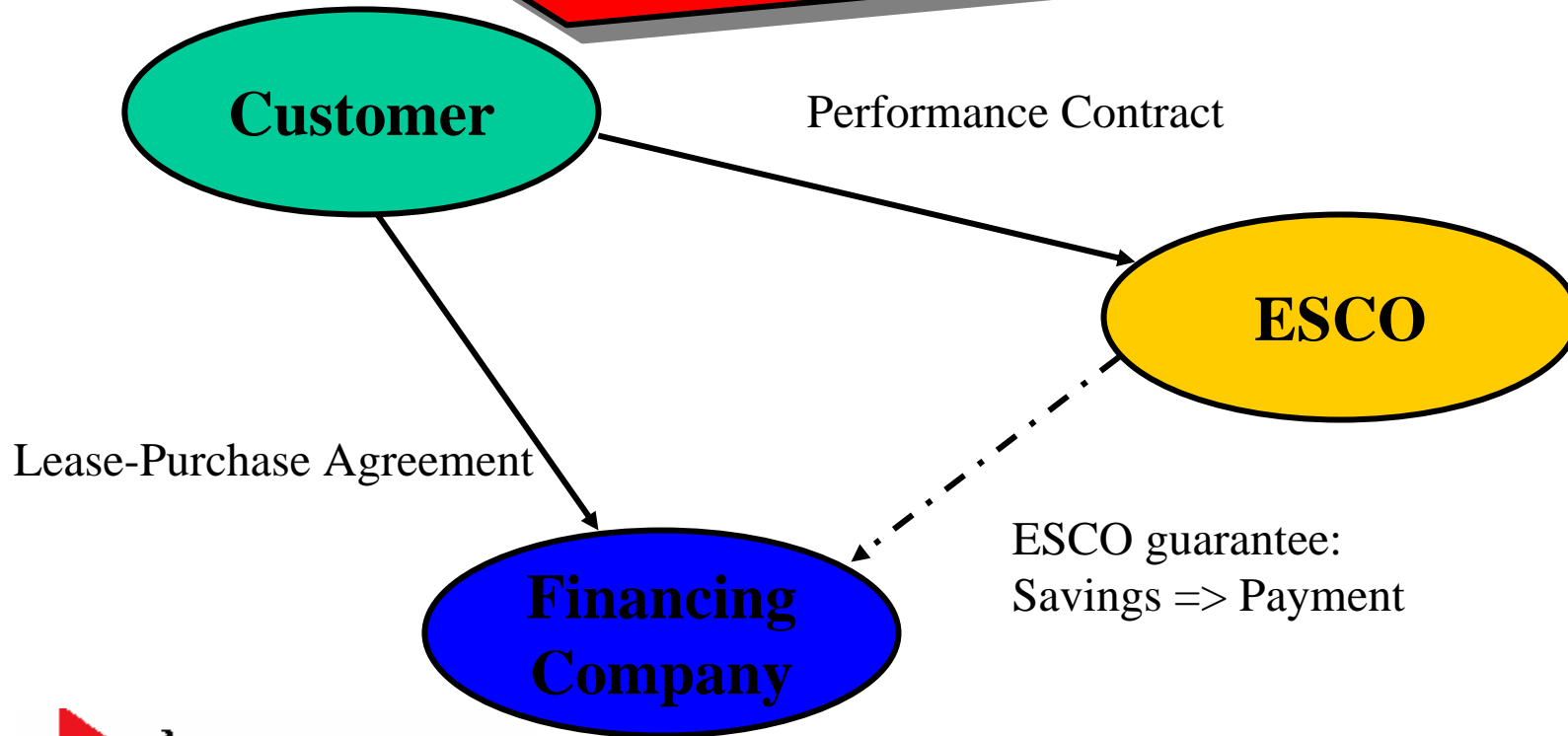
Your ESCO will put the pieces together

-  **Identify and evaluate opportunities (energy audit)**
-  **Design systems (engineering), specify & purchase**
-  **Manage construction**
-  **Arrange for financing**
-  **Provide long-term energy management services**
-  **Guarantee performance!**



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2 Contractual Agreements Secured by ESCO Guarantee



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An Energy Performance Contracting Success Story

\$14 million in improvements

- Boiler & chiller plant renovation
- New lighting and controls systems
- Water-saving fixtures
- Also a public/private partnership with utility to operate plant

Paid for by \$800,000 in annual savings

...with no added budget!



State Capitol Complex

Department of Personnel & Administration
with:

- Department of Labor & Employment
- Department of Judicial



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An Energy Performance Contracting Success Story

\$400,000 in improvements

- Upgraded boilers, lighting, windows
- Added air-conditioning
- Internet-accessible controls system

**Fresh air and comfortable temps
help kids learn**

**Paid for by \$50,000 in annual
savings plus a grant**

...with no added budget!



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**Stratton
School District**

Many Advantages of Performance Contracting

- **Better Buildings! Improved Comfort! Maintenance Problems Solved!**
- **Pay for projects with no up-front funds (your utility budget pays for the projects)**
- **One-stop shopping (single contract for multiple projects)**
- **ESCO Expertise from onset to completion**
 - Energy efficiency
 - Operation and maintenance of buildings
 - Project cost assessment
 - Project financing
 - Construction management
- **Comprehensive, whole-building approach**
- **Training for your staff**
- **Ongoing project monitoring and trouble-shooting to ensure sustained savings**



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Rebuild Colorado

Developing the Program



Why Performance Contracting?

Locally-based ESCOs

Good timing (in 1995)

- Government grants and utility rebates disappearing
- Few performance contracting projects at the time
- Growing interest among facility managers
- Opportunity to apply lessons learned

Performance contracting offers:

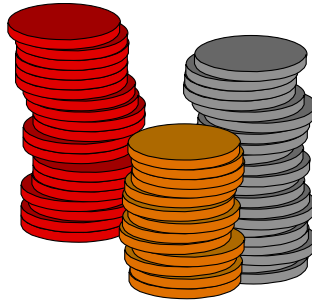
- A way to pay for projects
- Energy engineering expertise from start to finish
- Whole-building approach
- Deep savings
- Follow-up monitoring to ensure savings continue
- **A good message...projects pay for themselves!**



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Focus on Performance Contracting

Projects pay for themselves!



Help building owners help themselves.



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Rebuild Colorado

Better Buildings Today...

through Energy Savings Tomorrow



Better Buildings Today Through Energy Savings Tomorrow

Program Overview

Two key elements:

- **Marketing**

Education/awareness campaign on performance contracting

- **Customer services**

On-site, hands-on assistance to help customers implement effective performance contracts

Marketing the Program

- **Communications materials**
 - Case studies
 - 5 Steps to Successful Energy Performance Contracting
 - Web site
- **Use existing networks**
 - Presentations at association meetings and conferences
 - Articles and notices in newsletters
- **Workshops**
- **Recognition event (with governor)**



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Recognition from the Governor



Governor Owens honors performance contracting champions at Englewood Schools

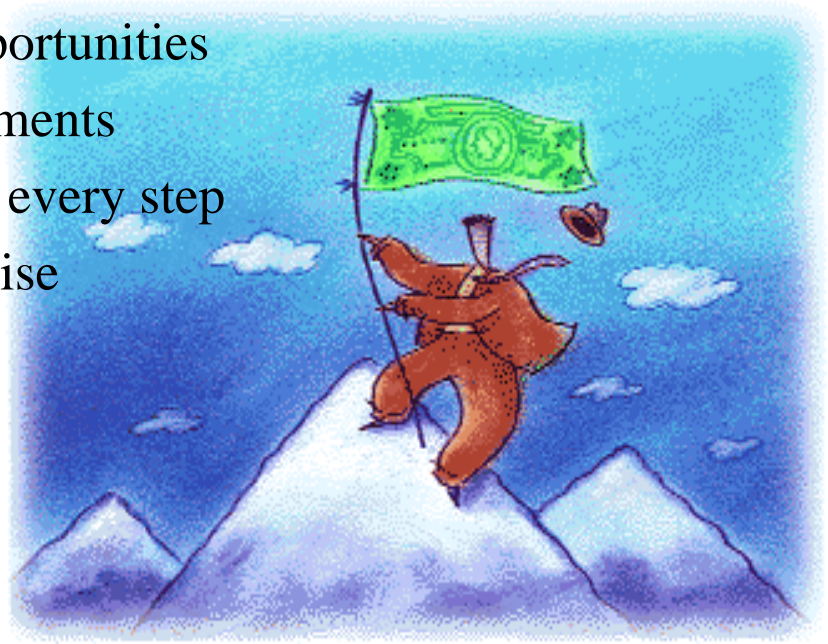


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Customer Services: Follow-up to Marketing

Services for building owners

- On-site facilitation, trouble-shooting
- Feasibility study to identify opportunities
- Sample RFP and contract documents
- Engineering assistance through every step
- Performance contracting expertise



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Actively Building Partnerships

Key Partnership:



Building owner & ESCO

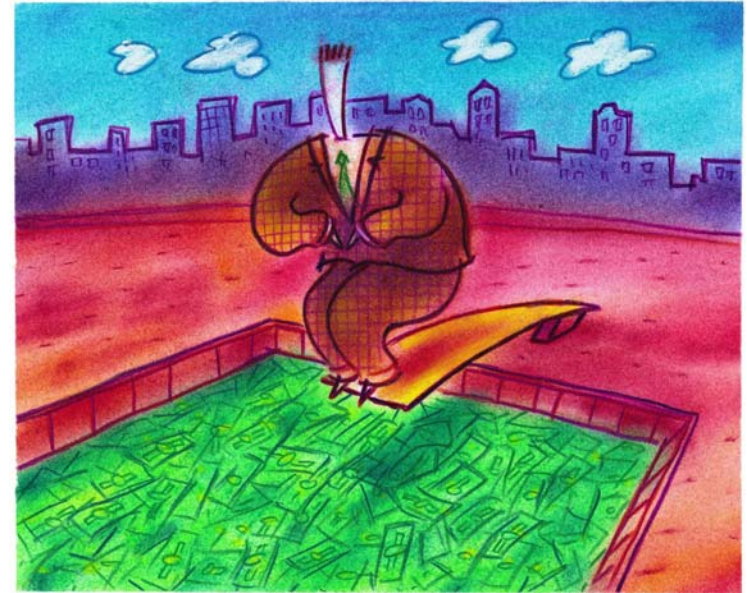


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Marketing Barriers

Marketing Barriers

- **Staff Issues**
 - Difficult to get a “go” decision - multiple decision-makers (facilities, legal, procurement, finance)
 - Limited staff & competing needs for their time
 - Fear of taking on a big, long-term, high-profile project
- **Education Issues**
 - Lack of knowledge about energy savings potential
 - Limited knowledge about performance contracting
 - Skeptical about performance contracting
 - Believe it is not wise to pay financing costs
 - Assume ESCO overhead is too high
- **Institutional Issues**
 - No pressing need for equipment replacements, so not a high priority
 - Process to fund project internally
 - Want to keep the savings (????)



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ESCO Views on Marketing

“A performance contract is a two-part sale:

- First, sell the customer on the concept;*
- Second, sell the customer on your company as the one to do the job.*

Rebuild Colorado will have a tremendous influence on ESCO business by focusing on the first part -- educate the customer.”



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Overcoming Marketing Barriers

Role of State Energy Office

- ***Industry perspective:***
A stamp of approval for the concept and the industry
- ***Customer perspective:***
Increased confidence,
easier buy-in, reduced risk



*OEMC's role...
“honest brokers”*



Governor's Support



Governor Bill Owens

Governor's Perspective

- Public/private partnership
- Reduces taxpayer burden
- Performance contracting is part of the state's plan for addressing energy needs

Legislation

For State Agencies

- **Established procurement & budgeting procedures**
- **Set guidelines**
 - Term limited by equipment lifetime or 25 years
 - Maintenance savings allowed
 - Guarantee required only for first 3 years

For Local Governments

- **Updated 1990 legislation**

And, an Executive Order



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5 Steps to Success & Rebuild Colorado Services



Decide if performance contracting is right for you

(Assess your needs & potential benefits)

Services: Free engineering study, Board presentation, meetings



Select an Energy Service Company, ESCO

(Develop an RFP)

Services: RFP development, advisor



ESCO identifies energy-saving opportunities

(Develop an audit contract)

Services: Audit contract development, negotiating tips, engineering review of audit



ESCO implements projects

(Negotiate an Energy Performance Contract)

Services: Contract development, negotiating tips, engineering & process advisor



Verify savings and enjoy the benefits

(Monitor long-term performance)

Services: Engineering review of results and basic follow-up monitoring



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Making a Difference

Ensure quality projects

- **Lay the groundwork**
 - Effective (and pre-approved) procurement and contract documents

Raise the bar for industry

- Rebuild Colorado Standards for Success (involve us!)
- Well-established engineering procedures
- Monitoring & Verification guidelines & requirements
- Commissioning guidelines
- OEMC 3rd party review

Market Transformation

- Increased quantity of projects (Successful projects with well-documented and measured results)
- Performance contracting recognized as a familiar practice (increased credibility)
- Nurtured a competitive market in Colorado
- Facilitated new markets for small facilities, new construction, new markets (housing authorities)
- Increased the credibility of performance contracting process & the industry
- Streamlined and standardized purchasing/contracting approach (accepted by industry)
- Increased consumer confidence (overcoming past industry problems)
- Partnership with industry (sounding board for OEMC through the ESC)



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Results/Successes

Projects completed or in process:

\$120 million

Program Costs:

- Marketing
- Engineering services
- Staff

Program Leverage:

\$50+ in capital investment generated for each \$1 spent on the program



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Energy Savings

\$120 million in project investment

paid for through

\$12 million in

annual utility cost savings

(162 million kWh savings; 10 million therms)



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Environmental Savings

**Pollution Prevention equivalent
of taking 36,000 cars off the road**

216,000 tons of CO₂ per year

270 tons of SO₂ per year

308 tons of NO_x per year



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Economic Benefit

540 jobs created

(4-5 jobs per million invested)

**\$48 million in economic
development**

**(40 cents pumped into the economy
for every \$1 investment)**



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Water Savings

**Millions of gallons of
Water saved**



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Program Sustainability

Public/Private Partnership to promote performance contracting

Energy Services Coalition (ESC)

State energy offices

ESCOs

Vendors, financing institutions, others

www.escperform.org



Goals:

- Joint marketing in Colorado
- Unify marketing efforts of state energy offices and industry
- Increase customer awareness of performance contracting
- Break down barriers to performance contracting
- Improve program effectiveness (ESCOs as sounding board)



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Rebuild Colorado Services

**Rebuild Colorado is here
to get you started
and see you through!**



Rebuild Colorado

Contact Us....

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